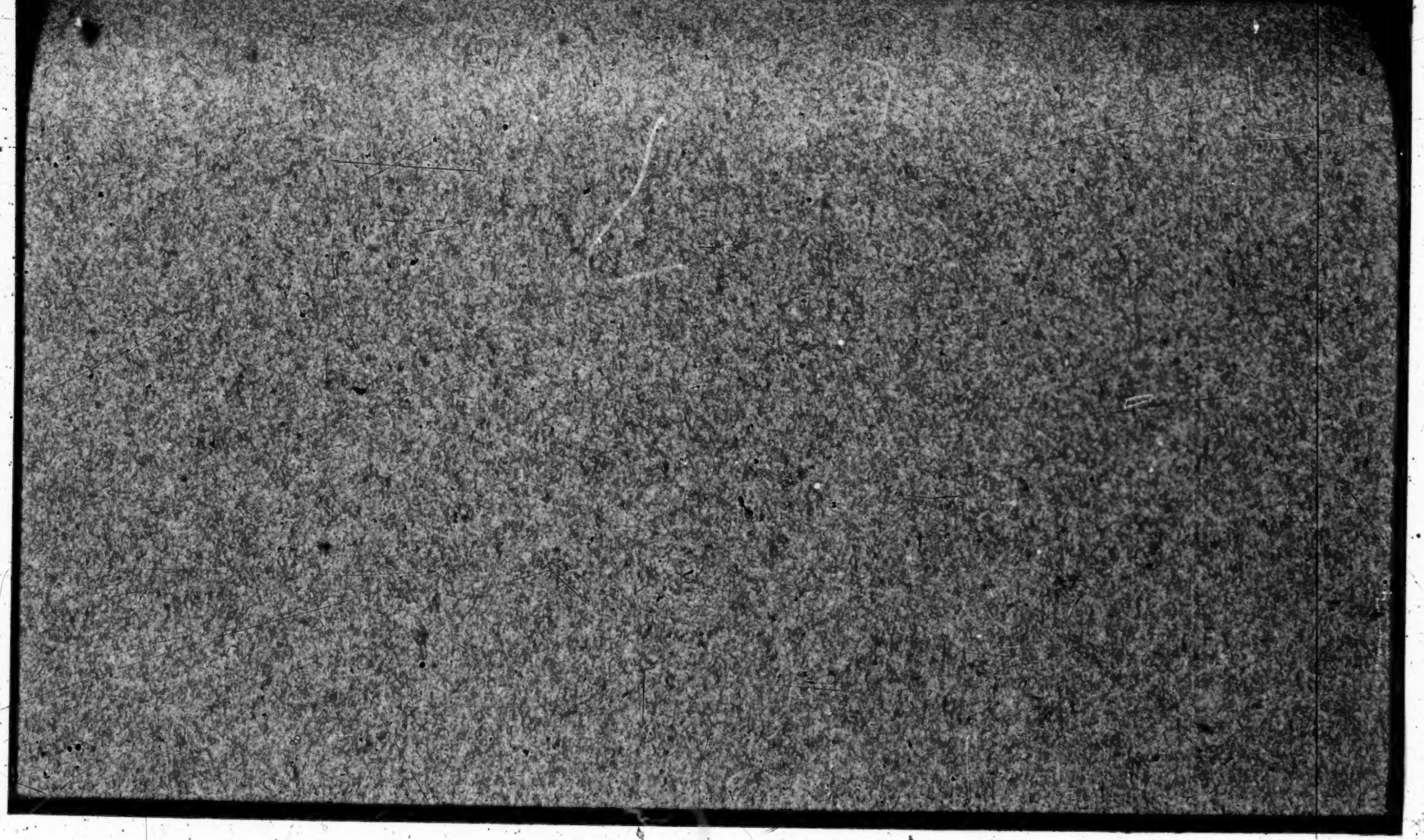

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IN THE

Supreme Court of the United States.

OCTOBER TERM, 1930.

No. 54.

CARBICE CORPORATION OF AMERICA,
Petitioner,

vs.

AMERICAN PATENTS DEVELOPMENT CORPORATION AND DRY ICE CORPORATION OF AMERICA,
Respondents.

PETITION FOR REHEARING.

CHARLES NEAVE,
Of Counsel for Respondents.

March 30, 1931.

The Evening Post Job Printing Office, Inc., 154 Fulton St., New York, N. Y.

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PETITION FOR REHEARING.

The essence of the holding of the Court in this case seems to be expressed in the statements that a patentee

> "may not exact as the condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor; and if it does so, relief against one who supplies such unpatented materials will be denied."

And

> "Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."

We believe that the Court must have misunderstood the facts in this case; for, as we read the Record, the proposition of law first quoted above is not applicable to the facts here presented, and the conclusion, therefore, is similarly not applicable.

We submit that, in connection with the infringement here complained of, *there was no license.*

We shall here examine the situation, step by step.

1. What licenses are granted by respondents?

The patent owner, the Dry Ice Corporation, with each sale of its dry ice, gave permission to the customer to use that dry ice, then purchased, in the combination of the patent in suit. Any license that exists is only that created by such sale. The life, or extent, of that license, thus granted without the payment of royalty, was only and could only be for the life of, and to the extent of, the dry ice carrying the license. The infringement complained of, however, has no connection with that sale, nor with that dry ice, nor with that license.

The Dry Ice Corporation's *intent* that the dry ice sold by it may be used in its patented combination, without infringing the patent, is shown by a notice, accompanying each invoice, to the effect that the dry ice is to be used only in containers provided or approved by the Corporation, and that such containers are to be used only with dry ice, and that those uses of dry ice are covered by the corporation's patent. As this Court found, "the restrictions as to the purchase of cartons set forth in the invoice of the corporation appear not to have been insisted on by it." So no condition actually attaches to each sale. The intent that the dry ice sold may be used in the Corporation's patented combination still remains.

As this Court further stated, "it has been assumed that thereby the Dry Ice Corporation extends to each of its customers, buyers of solid carbon dioxide, a license to use the invention without the payment of royalty." That is merely because such a license is always implied when a patent owner sells a patented article or part of a patented combination with the intent (which is evidenced by the notice) that it be used or resold, or be employed to complete the combination.

Such "license" logically and inevitably results from the mere sale under those circumstances.

This implied license is created by estoppel. When the Dry Ice Corporation sells dry ice to a customer with the knowledge and intent that it be used as one of the elements of the patented combination, it could not, when that customer makes the intended use of the article sold to him, bring suit against him for infringement of the patent. The customer has the implied right or license to use the purchased article for its contemplated purpose in the patented combination. Thus, the Circuit Court of Appeals for the Third Circuit (Judges Lurton, Day and Clark) said, in *Edison Electric Light Company* v. *Peninsular Light, Power & H. Co.*, 101 Fed. 831, 836:

> "It is evident that the extent of an implied license must depend upon the peculiar facts of each case. The question in each case is whether or not the circumstances are such as to estop the vendor from asserting infringement."

As this Court said in *De Forest* v. *United States*, 273 U. S. 236, 241, any conduct on the part of a patent owner

> "exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort."

But, as is stated in the first opinion from which we have quoted, "the *extent* of an implied license must depend upon the peculiar facts of each case". The implied license, in the present case, goes no further than the right to use the thing sold to the customer; that was the limit of what the parties contemplated in the purchase and sale.

In the present case where, as the Court said, the license was granted without the payment of royalty, to hold that a continuing, irrevocable license had been granted, would go far beyond the intent of the parties upon which intent the scope of the license is based. That is, the license implied by the sale is not a continuing or general license; when Dry Ice Corporation sells solid carbon dioxide to a customer if

does not thereby forever license that customer to use the invention. There is created, by operation of law, merely a right to make those patented packages which use, as an element, the particular amount of dry ice then sold.

We do not understand that the court condemns such sale by a patent owner of a part of its patented combination. Of course, such sale does not extend the monopoly of the patent, but quite the reverse. The patent owner might legally refuse to sell the whole combination or any part of it. It might sell the whole combination (the complete transportation package, in this instance), thus retaining to itself a complete monopoly. If it sells only one element of the combination, permitting its customers to purchase other elements from others and thus make up the complete combination, it, to that extent, gives up its complete monopoly.

2. *Is any condition attached to the licenses?*

No. As we have just seen, the condition as to the containers was never enforced; it is a nullity.

And there was never any restriction or condition that the Dry Ice Corporation's customers should purchase solid carbon dioxide from it only.

If the customer, contemporaneously with the purchase of dry ice from Dry Ice Corporation, or thereafter, purchases solid carbon dioxide from others and uses it in making up the patented transportation package, it is not doing anything it has agreed not to do—it is doing nothing contrary to any condition or restriction imposed or sought to be imposed. There was no condition. The Dry Ice Corporation, in making a sale of dry ice, says, in effect, to the customer: "You may, of course, use this dry ice sold to you in making my patented combination." It does *not* add—"and the sale is made on condition that you purchase no solid carbon dioxide from others." The customer may purchase from others and still not violate any license that has been granted.

3. The contributory infringement charged in this case is the same, and should be considered from the same point of

view, as though the Carbice Corporation (the defendant) had sold its carbon dioxide to an infringer who had never made any purchases from Dry Ice Corporation—that is, who had never had any license of any kind. The Carbice Corporation's sale to Marchiony was merely one instance of infringement. But, even he purchased cartons wherever he chose, purchased ice cream wherever he chose (and by such purchases obtained no license under the patent in suit) and, when he purchased solid carbon dioxide from the Carbice Corporation (the defendant here) he thereby obtained no license. The patent owner had never assented to his making the patented transportation packages from these elements of the patented combination; therefore, in doing so, he was an infringer. The fact that Marchiony had *not* been an infringer in *other* transactions (as when he used dry ice purchased from the patent owner) does not relieve him from infringement in transactions not licensed. To this infringement the Carbice Corporation knowingly contributed.

If the Dry Ice Corporation has any monopoly, it is only the monopoly afforded by its patent. It is not attempting to assert or obtain any other monopoly. If anyone, *whether or not a former customer of the Dry Ice Corporation,* makes up the patented transportation package without license, the Dry Ice Corporation's remedy is not to base any action on any breach of condition or agreement, but merely to bring suit on its patent. If anyone, without license, makes up the patented transportation package, he is an infringer; as the Court says—"if the patent is valid the owner can, of course, prohibit entirely the manufacture, sale or use of such packages." We understand that the Court would have no doubt as to this if the person who makes, sells or uses such package himself makes all of its elements —the container, the dry ice and the ice cream, for instance. Likewise, we assume it would be admitted that he is no less an infringer if he purchases one or more of these elements from other than the Dry Ice Corporation.

4. In our view, a determination of the question of contributory infringement in this case is not dependent upon any license, and its consideration should not be confused by any license proposition.

The sole question is as to whether the Carbice Corporation, in contributing to the infringement of the patent, is itself an infringer. As the Court states, "infringement, whether direct or contributory, is essentially a tort and implies invasion of some right of the patentee." The right of the patentee, here, is to prevent the infringing manufacture, sale or use of the patented package; all who contribute to such manufacture, sale or use invade *that* right, and commit a tort. The patentee's right is not invaded by the defendant merely by the sale of solid carbon dioxide. *That* has never been asserted. The invasion arises from a sale made for the purpose and with the intent of contributing to the manufacture of the patented transportation package. The defendant may freely sell solid carbon dioxide for any and all other purposes, so far as concerns the matters here in issue, just as the decision in the *Leeds & Catlin* case did not forbid the use of the petitioner's records, except in violation of the claims of respondent's patent. The Dry Ice Corporation seeks and asserts no monopoly in solid carbon dioxide, but only in the patented package.

The Court states that "in the case at bar the plaintiffs neither sell nor license others to sell complete transportation packages. They supply merely one of the several materials entering into the combination." Even so, we see no reason why this distinguishes the present case from the *Leeds* v. *Catlin* case and the doctrine of contributory infringement there announced and applied. The legal situation on contributory infringement is not altered by reason of the fact that the patent owner sells or does not sell the complete combination. If the patent owner is in no business at all, he still has a right to prevent infringement of his patent property, and this whether the infringement is direct or indirect—namely, contributory.

Nor do we understand that the Court, in its present decision, intends to overrule the numerous prior decisions on contributory infringement in cases in which the patentee does not sell the patented combination, or machine, and the doctrine of "repair" does not enter.*

Nor do we believe that the Court intends that a patent owner shall have no recourse against a competitor who knowingly makes an element of the invention, but must bring a multiplicity of suits against users instead of against the *one* who instigates and makes possible the numerous instances of infringement.

5. In accordance with the foregoing, we believe that the only question presented in this case (other than validity of the patent) is an ordinary question of contributory infringement to be decided by the ordinary rules relating to such infringement.

It seems to us that the question of law decided by the Court (namely, that a patentee may not exact as a condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor)

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* Some of these cases in the Courts of Appeals are:

Symington v. *National Malleable Castings Co.*, 230 Fed. 821 (1st C. C. A.), affirmed 250 U. S. 383.

Westinghouse v. *Precise*, 11 Fed. (2d) 209 (2nd C. C. A.).

Metropolitan v. *Williamsburg*, 19 Fed. (2d) 442 (2nd C. C. A.).

Dental Co. v. *S. S. White*, 266 Fed. 524 (3d C. C. A.).

Thomson-Houston v. *Ohio Brass*, 80 Fed. 712, 721 (6th C. C. A.).

Canda v. *Michigan Malleable Iron Co.*, 124 Fed. 486 (6th C. C. A.).

Red Jacket Mfg. Co. v. *Davis*, 82 Fed. 432 (7th C. C.A.).

Solva Waterproof Glue Co. v. *Perkins Glue Co.*, 251 Fed. 64 (7th C. C. A.).

Barrett v. *Sheaffer*, 251 Fed. 74 (7th C. C. A.).

New York Scaffolding Co. v. *Whitney*, 224 Fed. 452 (8th C. C. A.).

is not presented by the facts in this case—for there was no such condition to any license here granted.

Anyone who has purchased solid carbon dioxide from Dry Ice Corporation and thereby acquires a license to use it in making up the patented package, is entirely free, so far as any condition is concerned, to purchase solid carbon dioxide from others. The Dry Ice Corporation merely takes the position that it will grant no licenses to purchase from others; it does not, by contract or condition, attempt to prevent such purchases. For its monopoly, if it has any, it relies strictly upon the patent rights which, it conceives, are to prevent others from infringing by manufacture, use or sale of the patented package, or by contributing to such infringing manufacture, use or sale.

And, as we have pointed out above, the same infringement, direct and contributory, occurs whether or not the direct infringer has ever made any purchases from the Dry Ice Corporation. The fact that the direct infringer may, as to *some* transactions, have been a licensee (by purchases from Dry Ice Corporation) cannot affect, as to *other* transactions, the decision on the question of contributory infringement.

Wherefore Respondents pray:

(a) For a reconsideration of the holding of this Court denying relief to Respondents.

(b) For such other and further relief as to the Court may seem just.

Respectfully submitted,

CHARLES NEAVE
Attorney for Respondents.

New York, N. Y., March 26, 1931.

STATE OF NEW YORK }
County of New York } ss.:

CHARLES NEAVE, being duly sworn, deposes and says:

That he is attorney for the Respondents herein; that he prepared the foregoing petition and that the allegations thereof are true as he verily believes; and that the petition is presented in good faith and not for delay.

CHARLES NEAVE

Sworn to before me this 30th }
day of March, 1931. }

HAROLD A. PATTERSON
[SEAL] Notary Public
New York County Clerk's No. 22
N. Y. County Register's No. 2-P-22
Commission expires March 30, 1932